

Sheldon Independent School District

Annual Financial Report

For the Ten Months Ended June 30, 2019

Sheldon Independent School District
 Annual Financial Report
 For the Ten Months Ended June 30, 2019
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Certificate of the Board

Sheldon Independent
School District
Name of Local Education Agency

Harris
County

101-924
County-District-Number

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and approved _____ disapproved for the ten months ended June 30, 2019 at a meeting of the Board of Trustees of such school district on the 19 day of November, 2019.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Sheldon Independent School District
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District), as of and for the ten months ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Change in Fiscal Year End

As discussed in Note 1.R. to the basic financial statements, the District elected to change its fiscal year ending from August 31 to June 30. As such, the financial statements are presented as of and for a ten month period ending June 30, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Trustees of
Sheldon Independent School District

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 19, 2019

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Management's Discussion and Analysis

As management of the Sheldon Independent School District (the District), we elected to change the District's fiscal year from August 31 to June 30. We offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the ten months ended June 30, 2019.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$15,741,586 (net position).
- The District's total net position increased by \$1,484,753 from current operations.
- As of the close of the period, the District's governmental funds had combined ending fund balances of \$115,939,230, a decrease of \$49,812,630 as compared to the preceding fiscal year. The change in governmental fund balances was primarily due to the construction of two new campuses.
- At the end of the period, unassigned fund balance of the general fund was \$25,243,976, or 32 percent of the period's total general fund expenditures.
- The District's total net bonded debt increased by \$38,230,000 (ten percent) during the period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repair and Maintenance, Contracted Instructional Services Between Schools, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges.*

The business-type activities include the District's tuition/fee based self-sustaining Early Learning Center Daycare, an employee child care program. Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found as noted in the table of contents.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained twenty-four individual governmental funds during the period. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents.

Proprietary Fund. The propriety fund provides the same type of information as the government-wide financial statements, only in more detail. There are two types of proprietary funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has one business-type activity or enterprise fund, which is the tuition-based self-sustaining employee child care program, Early Learning Center Day Care. The second type of proprietary fund is the Internal Service fund. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District does not have any internal service funds to report. The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District maintains fiduciary funds for scholarships and student activities. The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. Additionally, the required supplementary information presents the District's pension and OPEB schedules. The required supplementary information can be found as noted in the table of contents.

Other Information. In addition to the basic financial statements and accompanying notes and required supplemental information, this report presents additional supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent period end, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,741,586.

The District's net investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to \$36,853,593. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Sheldon Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	August 31, 2018	June 30, 2019	August 31, 2018	June 30, 2019	August 31, 2018
Current and other assets	\$ 155,465,826	\$ 200,517,808	\$ 7,692	\$ 12,233	\$ 155,473,518	\$ 200,530,041
Capital assets, net of accumulated depreciation	388,531,949	289,088,330	-	-	388,531,949	289,088,330
Total assets	543,997,775	489,606,138	7,692	12,233	544,005,467	489,618,371
Total deferred outflows of resources	18,674,192	8,477,033	-	-	18,674,192	8,477,033
Current liabilities	41,564,373	31,003,302	2,522	8,098	41,566,895	31,011,400
Long-term liabilities outstanding	490,442,796	436,659,760	-	-	490,442,796	436,659,760
Total liabilities	532,007,169	467,663,062	2,522	8,098	532,009,691	467,671,160
Total deferred inflows of resources	14,928,382	16,167,411	-	-	14,928,382	16,167,411
Net position						
Net investment in capital assets	36,835,593	29,949,403	-	-	36,835,593	29,949,403
Restricted	16,140,732	19,397,681	-	-	16,140,732	19,397,681
Unrestricted	(37,239,909)	(35,094,386)	5,170	4,135	(37,234,739)	(35,090,251)
Total net position	\$ 15,736,416	\$ 14,252,698	\$ 5,170	\$ 4,135	\$ 15,741,586	\$ 14,256,833

Net position of \$16,140,732 is restricted for future debt service and grant expenditures. At the end of the current period, the District is able to report positive net position for governmental and business-type activities.

The District's net position increased by \$1,484,753 as a result of operations during the current period primarily related to an increase in revenues from operating grants and contributions.

Governmental Activities. Governmental activities increased the District's net position by \$1,483,718.

Sheldon Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	Ten Months Ended	Twelve Months Ended	Ten Months Ended	Twelve Months Ended	Ten Months Ended	Twelve Months Ended
	June 30, 2019	August 31, 2018	June 30, 2019	August 31, 2018	June 30, 2019	August 31, 2018
Revenue:						
Program revenues:						
Charges for services	\$ 896,739	\$ 579,211	\$ 282,569	\$ 438,551	\$ 1,179,308	\$ 1,017,762
Operating grants and contributions	16,844,048	275,400	-	-	16,844,048	275,400
General revenues:						
Property taxes, levied for general purposes	59,601,320	61,897,215	-	-	59,601,320	61,897,215
Property taxes, levied for debt service	16,145,078	16,293,042	-	-	16,145,078	16,293,042
Grants and contributions not restricted to specific programs	14,454,773	17,118,179	-	-	14,454,773	17,118,179
Investment earnings	3,051,301	2,986,840	-	-	3,051,301	2,986,840
Gain (loss) on sale of capital asset	10,414	35,108	-	-	10,414	35,108
Insurance recoveries	-	15,919,402	-	-	-	15,919,402
Miscellaneous	662,037	778,298	-	-	662,037	778,298
Total revenues	111,665,710	115,882,695	282,569	438,551	111,948,279	116,321,246
Expenses:						
Instruction	54,882,770	40,693,675	-	-	54,882,770	40,693,675
Instructional resources and media services	901,507	706,971	-	-	901,507	706,971
Curriculum and instructional staff development	156,833	262,977	-	-	156,833	262,977
Instructional leadership	2,256,302	1,812,081	-	-	2,256,302	1,812,081
School leadership	4,480,673	3,808,036	-	-	4,480,673	3,808,036
Guidance, counseling, and evaluation services	2,085,270	1,279,739	-	-	2,085,270	1,279,739
Social work services	42,312	37,954	-	-	42,312	37,954
Health services	635,398	426,159	-	-	635,398	426,159
Student transportation	4,760,170	4,143,544	-	-	4,760,170	4,143,544
Food services	5,823,262	5,280,672	-	-	5,823,262	5,280,672
Extracurricular activities	2,360,500	2,125,593	-	-	2,360,500	2,125,593
General administration	2,238,283	1,847,056	-	-	2,238,283	1,847,056
Plant maintenance and operations	11,131,044	22,179,331	-	-	11,131,044	22,179,331
Security and monitoring services	1,082,367	881,557	-	-	1,082,367	881,557
Data processing services	1,031,631	749,552	-	-	1,031,631	749,552
Community services	72,060	21,618	-	-	72,060	21,618
Interest on long-term debt	11,413,514	11,789,301	-	-	11,413,514	11,789,301
Issuance costs and fees	970,604	1,199,643	-	-	970,604	1,199,643
Facilities repair and maintenance	1,971,385	1,847,979	-	-	1,971,385	1,847,979
Contracted instructional services between schools	1,446,005	896,817	-	-	1,446,005	896,817
Payments to juvenile justice alternative education program	-	-	-	-	-	-
Other intergovernmental charges	440,102	585,423	-	-	440,102	585,423
Day care	-	-	281,534	434,416	281,534	434,416
Total expenses	110,181,992	102,575,678	281,534	434,416	110,463,526	103,010,094
Increase in net position before transfers	1,483,718	13,307,017	1,035	4,135	1,484,753	13,311,152
Transfers	-	-	-	-	-	-
Change in net position	1,483,718	13,307,017	1,035	4,135	1,484,753	13,311,152
Net position - beginning, as originally reported	14,252,698	52,855,136	-	-	14,252,698	52,855,136
Prior period adjustment - implement GASB 75 for OPEB	-	(51,909,455)	-	-	-	(51,909,455)
Net position - beginning, as restated	14,252,698	945,681	-	-	14,252,698	945,681
Net position - ending	\$ 15,736,416	\$ 14,252,698	\$ 1,035	\$ 4,135	\$ 15,737,451	\$ 14,256,833

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018.

Revenues are generated primarily from two sources: grants and contributions and property taxes. Grants and contributions (\$31,298,821) represent 28 percent of total revenues and property taxes (\$75,746,398) represent 68 percent of total revenues. The remaining \$4,620,491 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$54,882,770), which represents 50 percent of total expenses. Plant maintenance and operations (\$11,131,044) and interest on long-term debt (\$11,413,514) represent 10 percent each, of total expenses. Food service (\$5,823,262) represents 5 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

Business-type Activities. Business-type activities operations increased the District's net position by \$1,035. Revenues decreased by \$155,982, or 36 percent, primarily due to the decrease of community participation in the day care. Expenditures decreased by \$152,882, or 35 percent, due to the decrease in payroll costs.

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

At the end of the period, the District's governmental funds had combined ending fund balances of \$115,939,230, a decrease of \$49,812,630 from the prior fiscal year.

The general fund is the primary operating fund of the District. At period end, unassigned fund balance of the general fund was \$25,243,976 while total fund balance was \$26,903,649. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32 percent of total general fund expenditures, while total fund balance represents 34 percent of that same total. The fund balance of the general fund increased \$3,606,318 during the period, primarily due to the increase in state aid due to an increase in the foundation school program allotment.

The debt service fund had a total fund balance of \$18,291,620, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$782,443 during the period, primarily due to a decrease in expenditures for debt payments.

The capital projects fund has a total fund balance of \$68,171,748. The net decrease in fund balance during the current period in the capital projects fund was \$54,928,437 and was due to expenditures related to facilities acquisition and construction.

Proprietary Funds. The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds are addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the period. The plant maintenance and operations expenditure function was increased by \$6,202,221 for contracted services and supplies.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2019 was \$388,531,949 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in net capital assets for the current fiscal year was \$99,443,619.

Sheldon Independent School District's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 38,227,787	\$ 32,405,491	\$ -	\$ -	\$ 38,227,787	\$ 32,405,491
Buildings and improvements	164,179,437	168,346,250	-	-	164,179,437	168,346,250
Furniture and equipment	5,506,209	3,956,019	-	-	5,506,209	3,956,019
Construction in progress	180,618,516	84,380,570	-	-	180,618,516	84,380,570
Totals	\$388,531,949	\$289,088,330	\$ -	\$ -	\$388,531,949	\$289,088,330

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities. At period end, the District had the following long-term liabilities:

Sheldon Independent School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 407,209,996	84	\$ 368,979,996	85	\$ 38,230,000	10
Premiums	21,229,471	4	20,326,272	5	903,199	4
Accreted interest on capital appreciation bonds	83,242	-	71,078	-	12,164	17
Total bonds payable, net	428,522,709		389,377,346		39,145,363	
Compensated absences	708,608	-	463,463	-	245,145	53
Net pension liability	26,688,171	5	17,215,912	4	9,472,259	55
Net OPEB liability	34,523,308	7	29,603,039	7	4,920,269	17
Totals	\$ 490,442,796	100	\$ 436,659,760	101	\$ 53,783,036	

The District's total net bonded debt increased by \$38,230,000 (ten percent) during the current period, which resulted primarily from bonds issued.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Additional information on the District's OPEB can be found in Note 1.O. and Note 9 to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 1.N. and Note 8 to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- School year (2019-20) student enrollment is 10,116, a 7% increase from the preceding year.
- District staff totals 1,299 employees in 2019-20, of which 608 are teachers and 242 are teacher aides and secretaries.
- The District maintains 11 campuses for student instruction.
- Property values of the District are projected to increase 0.4% for the 2019-20 year.
- A maintenance and operations tax rate of \$1.07 and a debt service tax rate of \$.38 (a total rate of \$1.45) were adopted for 2019-20.

All of these factors and others were considered in preparing the District's budget for the 2019-20 fiscal year.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sheldon Independent School District, 11411 C.E. King Parkway, Houston, Texas 77044-7192.

Basic Financial Statements

Sheldon Independent School District
Statement of Net Position
June 30, 2019

Exhibit A-1

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 14,443,938	\$ 42,665	\$ 14,486,603
1120	Current investments	120,297,938	-	120,297,938
1220	Property taxes receivables	4,726,684	-	4,726,684
1230	Allowance for uncollectable taxes	(465,489)	-	(465,489)
1240	Due from other governments	8,944,005	-	8,944,005
1260	Internal balances	34,973	(34,973)	-
1300	Inventories	232,831	-	232,831
1810	Restricted cash and investments	7,124,912	-	7,124,912
1910	Long-term investments	126,034	-	126,034
	Capital assets, not being depreciated:			
1510	Land and improvements	38,227,787	-	38,227,787
1580	Construction in progress	180,618,516	-	180,618,516
	Capital assets, net of accumulated depreciation:			
1520	Buildings and improvements	164,179,437	-	164,179,437
1530	Furniture and equipment	5,506,209	-	5,506,209
1000	Total assets	543,997,775	7,692	544,005,467
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred outflows - pension	13,823,788	-	13,823,788
1706	Deferred outflows - OPEB	3,444,026	-	3,444,026
1710	Deferred charge on refunding	1,406,378	-	1,406,378
1700	Total deferred outflows of resources	18,674,192	-	18,674,192
LIABILITIES				
2110	Accounts payable	27,412,202	556	27,412,758
2140	Interest payable	5,707,609	-	5,707,609
2150	Payroll deductions and withholdings	630,915	-	630,915
2160	Accrued wages payable	7,225,712	1,966	7,227,678
2177	Due to fiduciary funds	3,092	-	3,092
2180	Due to other governments	323,602	-	323,602
2300	Unearned revenue	261,241	-	261,241
	Noncurrent liabilities:			
2501	Due within one year	15,281,129	-	15,281,129
2502	Due in more than one year	413,950,188	-	413,950,188
2540	Net pension liability	26,688,171	-	26,688,171
2545	Net OPEB liability	34,523,308	-	34,523,308
2000	Total liabilities	532,007,169	2,522	532,009,691
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows - pension	4,011,281	-	4,011,281
2606	Deferred inflows - OPEB	10,917,101	-	10,917,101
2600	Total deferred inflows of resources	14,928,382	-	14,928,382
NET POSITION				
3200	Net investment in capital assets	36,835,593	-	36,835,593
3820	Restricted for grants	2,552,753	-	2,552,753
3850	Restricted for debt service	13,587,979	-	13,587,979
3900	Unrestricted	(37,239,909)	5,170	(37,234,739)
3000	TOTAL NET POSITION	\$ 15,736,416	\$ 5,170	\$ 15,741,586

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Activities
For the Ten Months Ended June 30, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
0011	Instruction	\$ 54,882,770	\$ 198,283	\$ 7,473,893	\$ (47,210,594)	\$ -	\$ (47,210,594)
0012	Instructional resources and media services	901,507	-	66,238	(835,269)	-	(835,269)
0013	Curriculum and instructional staff development	156,833	-	(487)	(157,320)	-	(157,320)
0021	Instructional leadership	2,256,302	-	260,249	(1,996,053)	-	(1,996,053)
0023	School leadership	4,480,673	-	324,522	(4,156,151)	-	(4,156,151)
0031	Guidance, counseling, and evaluation services	2,085,270	-	5,832,952	3,747,682	-	3,747,682
0032	Social work services	42,312	-	59,549	17,237	-	17,237
0033	Health services	635,398	-	1,843,083	1,207,685	-	1,207,685
0034	Student transportation	4,760,170	-	194,530	(4,565,640)	-	(4,565,640)
0035	Food services	5,823,262	567,140	65,406	(5,190,716)	-	(5,190,716)
0036	Cocurricular/extracurricular activities	2,360,500	131,316	57,384	(2,171,800)	-	(2,171,800)
0041	General administration	2,238,283	-	62,298	(2,175,985)	-	(2,175,985)
0051	Plant maintenance and operations	11,131,044	-	220,304	(10,910,740)	-	(10,910,740)
0052	Security and monitoring services	1,082,367	-	(198)	(1,082,565)	-	(1,082,565)
0053	Data processing services	1,031,631	-	46,007	(985,624)	-	(985,624)
0061	Community services	72,060	-	(4,770)	(76,830)	-	(76,830)
0072	Interest on long-term debt	11,413,514	-	343,088	(11,070,426)	-	(11,070,426)
0073	Issuance costs and fees	970,604	-	-	(970,604)	-	(970,604)
0081	Facilities repair and maintenance	1,971,385	-	-	(1,971,385)	-	(1,971,385)
0091	Contracted instructional services between schools	1,446,005	-	-	(1,446,005)	-	(1,446,005)
0095	Payments to juvenile justice alternative education programs	-	-	-	-	-	-
0099	Other intergovernmental charges	440,102	-	-	(440,102)	-	(440,102)
TG	Total governmental activities	110,181,992	896,739	16,844,048	(92,441,205)	-	(92,441,205)
Business-type activities:							
0001	Day Care	281,534	282,569	-	-	1,035	1,035
0002	Community Education	-	-	-	-	-	-
0003	School Store	-	-	-	-	-	-
TB	Total business-type activities	281,534	282,569	-	-	1,035	1,035
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 110,463,526</u>	<u>\$ 1,179,308</u>	<u>\$ 16,844,048</u>	(92,441,205)	1,035	(92,440,170)
General revenues:							
MT	Property taxes, levied for general purposes	-	-	-	59,601,320	-	59,601,320
DT	Property taxes, levied for debt service	-	-	-	16,145,078	-	16,145,078
GC	Grants and contributions not restricted to specific programs	-	-	-	14,454,773	-	14,454,773
IE	Investment earnings	-	-	-	3,051,301	-	3,051,301
GS	Gain (loss) on sale of capital asset	-	-	-	10,414	-	10,414
MI	Miscellaneous	-	-	-	662,037	-	662,037
TR	Total general revenues	-	-	-	93,924,923	-	93,924,923
CN	Change in net position	-	-	-	1,483,718	1,035	1,484,753
NB	Net position - beginning	-	-	-	14,252,698	4,135	14,256,833
NE	NET POSITION - ENDING	-	-	-	<u>\$ 15,736,416</u>	<u>\$ 5,170</u>	<u>\$ 15,741,586</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
 Balance Sheet
 Governmental Funds
 June 30, 2019

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 8,978,534	\$ 554,211
1120	Current investments	19,759,487	10,071,523
1220	Property taxes receivables	3,747,272	979,412
1230	Allowance for uncollectable taxes	(359,718)	(105,771)
1240	Due from other governments	7,177,085	-
1260	Due from other funds	1,781,424	756,027
1300	Inventories	202,103	-
1810	Restricted cash and investments	-	7,124,912
1910	Long-term investments	126,034	-
		<hr/>	<hr/>
1000	Total assets	41,412,221	19,380,314
		<hr/>	<hr/>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 41,412,221</u>	<u>\$ 19,380,314</u>
LIABILITIES			
2110	Accounts payable	\$ 1,065,316	\$ 1,484
2150	Payroll deductions and withholdings	630,915	-
2160	Accrued wages payable	7,022,642	-
2170	Due to other funds	2,647,474	-
2180	Due to other governments	323,602	-
2300	Unearned revenue	236,001	-
		<hr/>	<hr/>
2000	Total liabilities	11,925,950	1,484
DEFERRED INFLOWS OF RESOURCES			
2620	Unavailable revenue - property taxes	2,582,622	1,087,210
		<hr/>	<hr/>
2600	Total deferred inflows of resources	2,582,622	1,087,210
FUND BALANCES			
Nonspendable			
3410	Inventories	202,103	-
Restricted for:			
3450	Grants	57,570	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	18,291,620
Committed to:			
3545	Other	-	-
Assigned to:			
3590	Assigned - other	1,400,000	-
3600	Unassigned	25,243,976	-
		<hr/>	<hr/>
3000	Total fund balances	26,903,649	18,291,620
		<hr/>	<hr/>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 41,412,221</u>	<u>\$ 19,380,314</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 3,038,808	\$ 1,872,385	\$ 14,443,938
89,825,781	641,147	120,297,938
-	-	4,726,684
-	-	(465,489)
-	1,766,920	8,944,005
1,438,478	449,877	4,425,806
-	30,728	232,831
-	-	7,124,912
-	-	126,034
<u>94,303,067</u>	<u>4,761,057</u>	<u>159,856,659</u>
<u>\$ 94,303,067</u>	<u>\$ 4,761,057</u>	<u>\$ 159,856,659</u>
\$ 26,131,319	\$ 214,083	\$ 27,412,202
-	-	630,915
-	203,070	7,225,712
-	1,746,451	4,393,925
-	-	323,602
-	25,240	261,241
<u>26,131,319</u>	<u>2,188,844</u>	<u>40,247,597</u>
-	-	3,669,832
-	-	3,669,832
-	-	202,103
-	2,495,183	2,552,753
25,649,593	-	25,649,593
-	-	18,291,620
-	77,030	77,030
-	-	1,400,000
42,522,155	-	67,766,131
<u>68,171,748</u>	<u>2,572,213</u>	<u>115,939,230</u>
<u>\$ 94,303,067</u>	<u>\$ 4,761,057</u>	<u>\$ 159,856,659</u>

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Sheldon Independent School District
 Reconciliation of the Governmental Funds Balance
 Sheet to the Statement of Net Position
 June 30, 2019

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 115,939,230

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets - at cost	\$ 482,733,581	
Accumulated depreciation	<u>(94,201,632)</u>	388,531,949

Property taxes receivable, which will be collected subsequent to year-end but are not available soon enough to pay expenditures, are deferred in the funds.	3,669,832
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Long-term liabilities, including bonds payable, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include:

General obligation bonds	\$ (407,209,996)	
Premiums on bonds	(21,229,471)	
Accreted interest on capital appreciation bonds	(83,242)	
Accrued interest on bonds	(5,707,609)	
Compensated absences	(708,608)	
Net pension liability	(26,688,171)	
Net OPEB liability	<u>(34,523,308)</u>	(496,150,405)

Deferred losses on issuances of refunding bonds are recorded as deferred outflows of resources in the statement of net position. This is the difference between the reacquisition price and the net carrying amount of refunded bonds, net of amortization.	1,406,378
---	-----------

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	13,823,788
---	------------

Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(4,011,281)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	3,444,026
--	-----------

Deferred inflows for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	<u>(10,917,101)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 15,736,416

Sheldon Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Ten Months Ended June 30, 2019

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 59,964,524	\$ 16,214,830
5800	State program revenues	18,468,190	126,493
5900	Federal program revenues	2,792,746	-
5020	Total revenues	81,225,460	16,341,323
EXPENDITURES			
Current:			
0011	Instruction	44,994,915	-
0012	Instructional resources and media services	709,737	-
0013	Curriculum and instructional staff development	156,885	-
0021	Instructional leadership	1,990,841	-
0023	School leadership	4,144,919	-
0031	Guidance, counseling, and evaluation services	1,881,660	-
0032	Social work services	33,254	-
0033	Health services	571,878	-
0034	Student transportation	4,282,290	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	1,891,150	-
0041	General administration	2,181,509	-
0051	Plant maintenance and operations	10,694,343	-
0052	Security and monitoring services	1,082,484	-
0053	Data processing services	893,508	-
0061	Community services	7,954	-
Debt service:			
0071	Principal on long-term debt	685,000	9,235,000
0072	Interest on long-term debt	44,344	6,962,309
0073	Issuance costs and fees	-	312,198
Capital outlay:			
0081	Facilities acquisition and construction	625,757	-
Intergovernmental:			
0091	Contracted instructional services between schools	1,446,005	-
0099	Other intergovernmental charges	440,102	-
6030	Total expenditures	78,758,535	16,509,507
1100	Excess (deficiency) of revenues over (under) expenditures	2,466,925	(168,184)
OTHER FINANCING SOURCES (USES)			
7901	Refunding bonds issued	-	10,655,000
7911	Issuance of capital-related bonds	-	-
7912	Sale of real and personal property	10,414	-
7915	Transfers in	-	-
7916	Premium or discount on issuance of bonds	-	1,466,943
7949	Other resources	945,872	-
8911	Transfers out	-	-
8940	Payment to refunded bonds escrow agent	-	(11,171,316)
7080	Total other financing sources (uses)	956,286	950,627
7989	Other non-operating revenues	183,107	-
1200	Net change in fund balances	3,606,318	782,443
0100	Fund balances - beginning	23,297,331	17,509,177
3000	FUND BALANCES - ENDING	\$ 26,903,649	\$ 18,291,620

The Notes to the Basic Financial Statements are an integral part of these statements.

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 2,103,510	\$ 836,767	\$ 79,119,631
-	884,586	19,479,269
-	9,993,639	12,786,385
<hr/>	<hr/>	<hr/>
2,103,510	11,714,992	111,385,285
-	5,277,604	50,272,519
-	26,136	735,873
-	1,365	158,250
-	103,579	2,094,420
-	-	4,144,919
-	69,810	1,951,470
-	-	33,254
-	-	571,878
-	-	4,282,290
-	5,387,030	5,387,030
-	-	1,891,150
-	-	2,181,509
-	-	10,694,343
-	-	1,082,484
-	56,054	949,562
-	66,368	74,322
-	-	9,920,000
-	-	7,006,653
658,406	-	970,604
105,631,948	-	106,257,705
-	-	1,446,005
-	-	440,102
<hr/>	<hr/>	<hr/>
106,290,354	10,987,946	212,546,342
(104,186,844)	727,046	(101,161,057)
-	-	10,655,000
48,600,000	-	48,600,000
-	-	10,414
-	-	-
658,407	-	2,125,350
-	-	945,872
-	-	-
-	-	(11,171,316)
<hr/>	<hr/>	<hr/>
49,258,407	-	51,165,320
-	-	183,107
<hr/>	<hr/>	<hr/>
(54,928,437)	727,046	(49,812,630)
<hr/>	<hr/>	<hr/>
123,100,185	1,845,167	165,751,860
<hr/>	<hr/>	<hr/>
\$ 68,171,748	\$ 2,572,213	\$ 115,939,230

Sheldon Independent School District
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Ten Months Ended June 30, 2019

Exhibit C-3

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ (49,812,630)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 104,333,168	
Depreciation expense	<u>(4,889,549)</u>	99,443,619

Because some property taxes will not be collected for several months after the District's period end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this period. 107,865

School Health and Related Services recognized in the statement of activities in the prior fiscal year but deferred in the funds. (810,735)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:

Issuance of bonds - principal	\$ (59,255,000)	
Premium on issuance of bonds	(2,125,457)	
Payment to escrow agent for advance refunding	11,171,316	
Repayment of bond principal	9,920,000	
Amortization of deferred loss on refunding bonds	(68,598)	
Amortization of premium on bonds payable	771,561	
Accreted interest on capital appreciation bonds	<u>(12,164)</u>	(39,598,342)

The change in the interest expense accrual amount for the current year from prior year amount was: (5,097,553)

The net change in net pension liability, and pension-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased	\$ 7,674,123	
Deferred inflows increased	(226,877)	
Net pension liability increased	<u>(9,472,259)</u>	(2,025,013)

The net change in net OPEB liability, and OPEB-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased	\$ 2,976,015	
Deferred inflows decreased	1,465,906	
Net OPEB liability increased	<u>(4,920,269)</u>	(478,348)

The net increase in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (245,145)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 1,483,718

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Net Position
Proprietary Fund
June 30, 2019

Exhibit D-1

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	ASSETS	
	Current assets:	
1110	Cash and cash equivalents	\$ 42,665
1000	Total assets	42,665
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	556
2160	Accrued wages payable	1,966
2170	Due to other funds	34,973
2000	Total liabilities	37,495
	NET POSITION	
3900	Unrestricted	5,170
3000	TOTAL NET POSITION	\$ 5,170

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Fund
For the Ten Months Ended June 30, 2019

Exhibit D-2

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	OPERATING REVENUES	
5700	Local and intermediate sources	\$ 282,569
5020	Total operating revenues	282,569
	OPERATING EXPENSES	
6100	Payroll costs	274,327
6200	Professional and contracted services	5,979
6300	Supplies and materials	249
6400	Other operating costs	979
6030	Total operating expenses	281,534
1200	Change in net position	1,035
0100	Net position - beginning	4,135
3000	NET POSITION - ENDING	<u>\$ 5,170</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Cash Flows
Proprietary Fund
For the Ten Months Ended June 30, 2019

Exhibit D-3

	<u>Enterprise Funds</u> <u>Early Learning</u> <u>Center - Daycare</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 282,569
Cash payments to suppliers for goods and services	30,088
Cash payments to employees	<u>(279,903)</u>
Net cash provided (used) by operating activities	32,754
Cash and cash equivalents - beginning	<u>9,911</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 42,665</u></u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,035
Change in assets and liabilities:	
Decrease in due from other funds	2,322
Decrease in accrued wages payable	(5,576)
Increase in due to other funds	<u>34,973</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 32,754</u></u>

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Net Position
Fiduciary Funds
June 30, 2019

Exhibit E-1

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>	<u>865 Agency Fund Student Activity</u>
	ASSETS		
1110	Cash and cash equivalents	\$ 84,080	\$ 89,673
1120	Current investments	189,483	36,240
1260	Due from other funds	480	2,612
1000	TOTAL ASSETS	<u>274,043</u>	<u>\$ 128,525</u>
	LIABILITIES		
2190	Due to student groups	<u>91,327</u>	128,525.00
2000	TOTAL LIABILITIES	91,327	<u>\$ 128,525</u>
	NET POSITION		
3800	Held in trust for private purposes	<u>182,716</u>	
3000	TOTAL NET POSITION	<u>\$ 182,716</u>	

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the Ten Months Ended June 30, 2019

Exhibit E-2

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>
	ADDITIONS	
5700	Local and intermediate sources	\$ 64,244
	Total additions	64,244
	DEDUCTIONS	
6499	Scholarships	71,100
	Total deductions	71,100
	Change in net position	(6,856)
	Net position - beginning	189,572
	NET POSITION - ENDING	\$ 182,716

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Sheldon Independent School District

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Sheldon Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the significant accounting policies of the District.

A. Reporting Entity

The District's Board of Trustees (the Board) has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; therefore the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements are presented for each fund category— governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds.

Sheldon Independent School District

Notes to the Basic Financial Statements

In the fund financial statements, interfund activities between governmental funds and between governmental and proprietary funds appear as *due to other funds* or *due from other funds* on the governmental funds balance sheet and proprietary funds statement of net position and as *transfers in* or *transfers out* on the governmental funds statement of revenues, expenditures and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in net position. While these balances are reported in fund financial statements, as a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Balances and transfers between the funds in governmental activities are eliminated. Internal balances presented on the government-wide statement of net position represent only the net balance between governmental and business-type activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements (with the exception of agency funds which are custodial in nature thus do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 120 days after period end, with the exception of property taxes, which the District considers available if collected within 60 days of year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

Sheldon Independent School District

Notes to the Basic Financial Statements

D. Fund Accounting

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for resources restricted to, or committed for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.

The *enterprise fund* is a proprietary fund used to account for the operations of the District's tuition/fee based employee child care program.

Private purpose trust funds are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

E. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

Sheldon Independent School District

Notes to the Basic Financial Statements

G. Investments

The carrying value of the District's investments approximates fair value. The valuation policies of the District are described in Note 2.

Investments with a maturity of less than one year from June 30, 2019 are reported as current investments. Any investments with longer maturities are reported as long-term investments.

H. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Taxes are levied by the District's Board based on the appraised values established by the Central Appraisal District of Harris County, Texas. Billing and collection of tax levies are performed by the District.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general fund and debt service fund are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

I. Inventories

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations.

J. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Sheldon Independent School District

Notes to the Basic Financial Statements

Land and construction in progress are not depreciated. Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Furniture and equipment	5-20

K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of fund balance/net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized/recognized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as *other financing sources*. Premiums received on debt issuances are reported as *other financing sources*, while discounts on debt issuances are reported as *other financing uses*. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

The District's employees earn sick leave and vacation benefits which may be accumulated each year. The District's policy permits employees, upon retirement, who have worked in the District for a minimum of three consecutive years prior to their retirement to be compensated for their accumulated unused sick leave at their daily rate of pay, not to exceed the daily cost of a degreed substitute teacher.

Sheldon Independent School District

Notes to the Basic Financial Statements

N. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's Pension Plan fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

P. Fund Balances and Net Position

Net position on the government-wide and proprietary fund statements of net position includes the following categories:

Net investment in capital assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – the component of net position that reports the difference between assets and liabilities with constraints placed on use by law.

Unrestricted – the difference between the assets and liabilities that is not reported in any of the classifications above.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted net position, before unrestricted net position is applied.

Fund balance on the governmental fund balance sheets is classified as follows:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction, and federal and state grants.

Sheldon Independent School District

Notes to the Basic Financial Statements

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority (i.e. the Board of Trustees). Committed fund balance is established pursuant to resolution passed by the District’s Board of Trustees. The same action must be taken to modify or rescind a committed fund balance. At June 30, 2019, the District’s committed fund balance includes campus activity funds.

Assigned – includes fund balance amounts that are self-imposed by the District as intended to be used for a particular purpose. Intent can be expressed by the District’s Board, or by an official or body to which the Board delegates authority. The Board has assigned fund balance in the general fund for the following:

State aid adjustments	\$	250,000
Wealth equalization payments		75,000
Harvey Insurance fund		725,000
Emergency repairs		<u>350,000</u>
Total	\$	<u>1,400,000</u>

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. The general fund should be the only fund that reports a positive unassigned balance. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ materially from those estimates.

The amount of state foundation revenue a school district earns for a period can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the ten months ended June 30, 2019 will change, and that change could be material to the District’s financial statements.

R. Change in Fiscal Year End

House Bill 98 enacted by the 76th Legislature of the State of Texas allowed school districts to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The District elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2018-2019 reporting period. As such, the financial statements are presented for a ten-month period of September 1, 2018 through June 30, 2019.

Sheldon Independent School District
Notes to the Basic Financial Statements

Note 2. Deposits and Investments

A summary of the District’s cash and investments at June 30, 2019, is shown below:

	Cash and Cash Equivalents	Current investments	Long-term investments	Restricted investments	Total Investments	Total Cash, Cash Equivalents, and Investments
General fund	\$ 8,978,534	\$ 19,759,487	\$ 126,034	\$ -	\$ 19,885,521	\$ 28,864,055
Debt service fund	554,211	10,071,523	-	7,124,912	17,196,435	17,750,646
Capital projects fund	3,038,808	89,825,781	-	-	89,825,781	92,864,589
Non-major governmental funds	1,872,385	641,147	-	-	641,147	2,513,532
Total governmental funds	14,443,938	120,297,938	126,034	7,124,912	127,548,884	141,992,822
Enterprise fund	42,665	-	-	-	-	42,665
Total government-wide	14,486,603	120,297,938	126,034	7,124,912	127,548,884	142,035,487
Fiduciary funds	173,753	225,723	-	-	225,723	399,476
Totals	\$ 14,660,356	\$ 120,523,661	\$ 126,034	\$ 7,124,912	\$ 127,774,607	\$ 142,434,963
Current investments					\$ 120,523,661	
Long-term investments					126,034	
Restricted investments					7,124,912	
Total investments					\$ 127,774,607	

Cash Deposits

Deposits and investment transactions of the District are regulated by State statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8 (the School Depository Act) of the Texas Education Code and other Code sections referenced therein and through provisions of the Texas Revised Civil Statutes, Title 47, Articles 2529c and 2548a, regarding security for District funds in depository institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs as a result of banking services received. All depository contracts have a term of two years commencing with the start of every odd-numbered fiscal year. Depository contracts are awarded on the basis of competitive bids received from area banks and can be awarded to more than one bank if the bids received are relatively equal.

Section 23.80 of the Texas Education Code provides that the depository shall not be compelled to accept time deposits from the proceeds of District debt issues; however, the depository is entitled to receive these funds under certain conditions.

Sheldon Independent School District

Notes to the Basic Financial Statements

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District and copies of the safekeeping receipts delivered to the Texas Education Agency. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District. Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), Bonds of the State of Texas, or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

The District must approve all collateral securities prior to their being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

The District is authorized by Section 20.42 of the Texas Education Code to place the proceeds from debt issues in properly secured or collateralized interest bearing time deposits with any Texas state or national bank having federal deposit insurance (FDIC) coverage for depositors or directly in bonds or other obligations of the U.S., provided that these time deposits cannot be cashed, sold or redeemed for an amount less than that originally invested by the District. Additionally, Section 23.80 of the Texas Education Code authorizes the District to invest in direct debt securities of the U.S. or other types of bonds, securities, warrants, etc., which the District is authorized by law to invest in. Cash includes petty cash on hand in various functional areas for use in routine operations and demand and time deposit accounts held by the depository bank.

All demand, money market, and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities held in the District's name by an agent of the District at period end in accordance with provisions of the depository contract. Demand and time deposits at various banks, held on behalf of different student groups, were entirely covered by federal depository insurance at period end. Deposits were properly secured at all times.

Investments

The Board of Trustees of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the Audit, disclosed that in the area of investment practices, management reports and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act. Additionally, the investments and investment practices of the District are in compliance with the Board's investment policies.

The District's Investment Policy emphasizes safety of principal and liquidity, addresses investment diversification, yield and maturity and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed. In addition, it includes an "Investment Strategy Statement" that specifically describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield.

Sheldon Independent School District

Notes to the Basic Financial Statements

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas, or its agencies and instrumentalities;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States, or its agencies and instrumentalities;
4. Certificates of deposit. Must be fully collateralized and guaranteed or insured by the FDIC;
5. Repurchase agreement. Must be fully collateralized, pledged to and held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, with a defined termination date, and placed through a primary government securities dealer;
6. Commercial paper. Must have a stated maturity of 270 days or fewer and a rating of not less than A-1/P-1 by two nationally recognized credit rating agencies; or a fully secured irrevocable letter of credit from a US bank and one A-1/P-1 credit rating;
7. Money Market funds. Must be approved by the Board and invest its funds only in investments approved by the Investment Policy; and
8. Public Funds Investment Pools. Must be approved by the Board and invest its funds only in investments approved by the Investment Policy.

The District's investments at June 30, 2019, are shown below:

	Local Government Investment Pools	Certificates of Deposit	US Treasury Securities	US Agency Securities	Repurchase Agreement	Commercial Paper	Total
General fund:							
Current investments	\$ 15,777,493	\$ 3,975,000	\$ 6,994		\$ -	\$ -	\$ 19,759,487
Long-term investments	-	-	19,271	106,763	-	-	126,034
Debt service fund:							
Current investments	10,071,523	-	-	-	-	-	10,071,523
Restricted investments	-	-	-	-	4,367,817	2,757,095	7,124,912
Capital projects fund:							
Current investments	89,825,781	-	-	-	-	-	89,825,781
Non-major governmental funds:							
Current investments	641,147	-	-	-	-	-	641,147
Total governmental funds	116,315,944	3,975,000	26,265	106,763	4,367,817	2,757,095	127,548,884
Fiduciary funds:							
Current investments	-	225,723	-	-	-	-	225,723
Totals	\$ 116,315,944	\$ 4,200,723	\$ 26,265	\$ 106,763	\$ 4,367,817	\$ 2,757,095	\$ 127,774,607

The District holds all US government securities to maturity date. The District did not purchase any derivative investment products during the current period nor participate in any securities lending agreements during the period.

The District is a voluntary participant in two local government investment pools: Texas Short Term Asset Reserve Program (TexSTAR) and Lone Star Investment Pool (Lone Star). The TexSTAR and Lone Star investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Sheldon Independent School District

Notes to the Basic Financial Statements

Lone Star was created pursuant to the Interlocal Cooperation Act of the State of Texas, Article 4413(32c), Vernon's Texas Civil Statutes, as amended, and is designed to provide participating local governments with investment vehicles for local funds that may be required for immediate expenditure. Lone Star is governed by an eleven-member Board of Directors all of whom are participants of the pool. The administrator and distributor of Lone Star is First Public, LLC, a Texas limited liability company. Investment advisory services are provided by American Beacon Advisors and Standish Mellon Investment Asset Management Company.

TexSTAR was created in April 2003, also under the Interlocal Cooperation Act. The State Comptroller of Public Accounts exercises responsibility over TexSTAR. TexSTAR is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management. JPMorgan Investment Management, Inc. provides investment advisory services.

TexSTAR and Lone Star policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1995, as amended. The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The District's investments are stated at fair value, with the exception of certain investment types which are not required to be measured at fair value. The District classifies its investments held at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value and establishes a three-level hierarchy of inputs that are used in valuation techniques:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investments which are not required to be measured at fair value include certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value determined by the pool, which approximates fair value, and investments in repurchase agreements and nonnegotiable certificates of deposit which are measured at cost. These instruments are exempt from categorization within the fair value hierarchy.

The value of the District's investments in local government investment pools, TexSTAR and Lone Star, are the same as the value of the pool shares. The District's carrying value of these investments is based on the net asset value of the underlying pool shares.

Lone Star investment portfolio is measured at amortized cost; therefore the District's investment is measured at amortized cost. TexSTAR's investment portfolio is measured at fair value; therefore the District's investment is measured at the net asset value of the pool shares.

Sheldon Independent School District

Notes to the Basic Financial Statements

The following table includes the portfolio valuation, weighted average maturity, credit rating and percentage of the portfolio balance by investment type of the District as of June 30, 2019:

	June 30, 2019	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:							
Commercial paper - BNY Mellon	\$ 2,757,095	\$ -	\$ -	\$ -	2.16%	166	A-1+*
Investment pools:							
Lone Star Government Overnight Fund	100,640,008	-	-	-	78.76%	26	AAA*
Lone Star Corporate Overnight Fund	1,226,832	-	-	-	0.96%	39	AAA*
Investments measured at net asset value:							
Investment pools:							
TexSTAR	14,449,104	-	-	-	11.31%	15	AAAm*
Investments measured at cost:							
Repurchase agreement	4,367,817	-	-	-	3.42%	-	A-2**
Certificates of deposit - Woodforest	225,723	-	-	-	0.18%	194	Not Rated***
Certificates of deposit - GCFCU	3,975,000	-	-	-	3.11%	154	Not Rated***
Investments measured at fair value:							
US treasury securities	26,265	26,265	-	-	0.02%	555	Aaa**
US agency securities:							
CMO	72,553	-	72,553	-	0.06%	6,666	Not Rated
CMBS	12,432	-	12,432	-	0.01%	665	Not Rated
Agency	21,778	-	21,778	-	0.02%	555	Aaa**
Total value	\$ 127,774,607	\$ 26,265	\$ 106,763	\$ -	100.00%		
Portfolio weighted average maturity						36	

* Standard & Poor's rating

** Moody's rating

*** Certificates of deposit are insured or collateralized

The District's investments classified within Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and diversification. In addition, the District shall not directly invest in an individual security maturing more than five years from the date of purchase, with the exception of investments relating to the District's trust accounts for Qualified Zone Academy Bonds and Qualified School Construction Bonds. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. During the ten months ended June 30, 2019, the District was not significantly exposed to credit risk. State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized credit rating organizations.

Concentration of Credit Risk

State law and the District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Sheldon Independent School District

Notes to the Basic Financial Statements

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure by the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party bank trust department hold all securities owned by the District. The District's investments in government investment pools, certificates of deposit, and US Treasury and Agency securities are insured, registered or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk for these types of investments.

The District's investment in a repurchase agreement is subject to custodial credit risk because the underlying securities are held by the investments' counterparty, not in the name of the District. State statutes require repurchase agreements to be fully collateralized by bonds or securities issued by the federal government, or its agencies and instrumentalities. The District does not have an additional custodial credit risk policy. Eligible Securities, as identified in the repurchase agreement, require a security ratio of 103% per the terms of the agreement. The final repurchase date is February 15, 2027. At June 30, 2019, the fair market value of the pledged securities was \$4,727,390.

Termination Risk

If the rating assigned to the senior unsecured long-term debt obligation of the counterparty to the District's repurchase agreement falls below "A3" by Moody's and "A-" by Fitch, the counterparty shall have the right to either (1) assign the agreement to a substitute provider rated at least "A-" Standard & Poor's, "A-" by Fitch, or "A3" by Moody's; (2) obtain a guaranty, letter of credit, or surety bond from an entity rated at least "A-" by Standard & Poor's, "A-" by Fitch, or "A3" by Moody's; (3) transfer to the custodian additional eligible securities having a market value not less than 110 percent of the invested monies; or (4) take any other action mutually agreed to by both parties. If the counterparty does not take on of the permitted actions above within 10 business days, the District may cause the repurchase of all purchased securities and terminate the agreement. The counterparty shall repurchase all purchased securities at a purchase price equal to all invested moneys then held by the counterparty to the date of the repurchase.

At June 30, 2019, the credit rating assigned to the counterparty is "A2" by Moody's and "A-" by Fitch.

Note 3. Receivables

Net receivables, at June 30, 2019, consist of the following:

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Property taxes	\$ 3,747,272	\$ 979,412	\$ -	\$ -	\$ 4,726,684
Due from other governments:					
State	6,429,590	-	-	1,766,920	8,196,510
Federal	747,495	-	-	-	747,495
Other receivables	-	-	-	-	-
Gross receivables	10,924,357	979,412	-	1,766,920	13,670,689
Less allowance for uncollectibles - property taxes	(359,718)	(105,771)	-	-	(465,489)
Total receivables, net	\$ 10,564,639	\$ 873,641	\$ -	\$ 1,766,920	\$ 13,205,200

The District expects to collect all significant receivables within one year.

Sheldon Independent School District

Notes to the Basic Financial Statements

Note 4. Interfund Activities

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund balances at June 30, 2019 consisted of the following individual fund balances:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 1,781,424	\$ 2,647,474
Debt service fund	756,027	-
Capital projects fund	1,438,478	-
Nonmajor governmental funds	<u>449,877</u>	<u>1,746,451</u>
Total governmental funds	4,425,806	4,393,925
Proprietary funds:		
Enterprise fund	<u>-</u>	<u>34,973</u>
Total proprietary funds	-	34,973
Fiduciary funds:		
Scholarship fund	480	
Agency funds	<u>2,612</u>	<u>-</u>
Total fiduciary funds	<u>3,092</u>	<u>-</u>
Total - all funds	<u><u>\$ 4,428,898</u></u>	<u><u>\$ 4,428,898</u></u>

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." During the ten months ended June 30, 2019, the District made no transfers.

Sheldon Independent School District
Notes to the Basic Financial Statements

Note 5. Capital Assets

A summary of changes in capital assets for the ten months ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 32,405,491	\$ 5,822,296	\$ -	\$ 38,227,787
Construction in progress	84,380,570	96,237,946	-	180,618,516
Total capital assets, not being depreciated	116,786,061	102,060,242	-	218,846,303
Capital assets, being depreciated:				
Buildings and improvements	248,119,441	230,907	-	248,350,348
Furniture and equipment	13,587,718	2,042,019	(92,807)	15,536,930
Total capital assets, being depreciated	261,707,159	2,272,926	(92,807)	263,887,278
Less accumulated depreciation for:				
Buildings and improvements	(79,773,191)	(4,397,720)	-	(84,170,911)
Furniture and equipment	(9,631,699)	(491,829)	92,807	(10,030,721)
Total accumulated depreciation	(89,404,890)	(4,889,549)	92,807	(94,201,632)
Total capital assets, being depreciated, net	172,302,269	(2,616,623)	-	169,685,646
Governmental activities capital assets, net	\$ 289,088,330	\$ 99,443,619	\$ -	\$ 388,531,949

Depreciation expense has been charged to the following functions in the government-wide statements:

Function	Amount
11 Instruction	\$ 3,009,808
12 Instructional resources and media services	134,768
21 Instructional leadership	44,922
23 School leadership	134,768
31 Guidance, counseling, and evaluation services	44,922
33 Health services	44,922
34 Student transportation	321,353
35 Food services	380,525
36 Cocurricular/extracurricular activities	422,981
41 General administration	44,922
51 Plant maintenance and operations	260,736
53 Data processing services	44,922
Total depreciation expense - governmental activities	\$ 4,889,549

The District has two active construction projects as of June 30, 2019. The projects include construction and equipment of a new high school and new elementary school which have a remaining commitment of \$25,649,593 at period end.

Sheldon Independent School District
Notes to the Basic Financial Statements

Note 6. Long-term Liabilities and Debt Service Requirements

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 368,979,996	\$ 59,255,000	\$ (21,025,000)	\$ 407,209,996	\$ 14,240,000
Premiums/discounts	20,326,272	2,125,457	(1,222,258)	21,229,471	922,674
Accreted interest on capital appreciation bonds	71,078	12,164	-	83,242	12,164
Total bonds payable, net	389,377,346	61,392,621	(22,247,258)	428,522,709	15,174,838
Compensated absences	463,463	270,136	(24,991)	708,608	106,291
Net pension liability	17,215,912	12,568,398	(3,096,139)	26,688,171	-
Net OPEB liability	29,603,039	5,397,251	(476,982)	34,523,308	-
Governmental activities long-term liabilities	\$ 436,659,760	\$ 79,628,406	\$ (25,845,370)	\$ 490,442,796	\$ 15,281,129

Bonds are payable solely from future revenues of the debt service fund, which consists principally of property taxes collected by the District. Other long-term liabilities are generally liquidated with resources of the general fund.

Bonded debt payable as of June 30, 2019 is as follows:

Series	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Additions	Reductions	Ending Balance
Unlimited Tax School Building Bonds, Series 2005B	0.00%	2020	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Maintenance Tax Notes, Series 2006	3.875% to 4.125%	2021	8,200,000	2,150,000	-	(685,000)	1,465,000
Unlimited Tax Refunding Bonds, Series 2010	4.000% to 4.500%	2027	19,114,997	12,315,000	-	(12,315,000)	-
Unlimited Qualified School Construction Bonds, Series 2010	5.632%	2027	8,200,000	8,200,000	-	-	8,200,000
Unlimited Tax School Building Bonds, Series 2010A	2.000% to 4.000%	2040	8,804,450	7,485,000	-	(265,000)	7,220,000
Unlimited Tax School Building Bonds, Series 2011	3.000% to 5.000%	2041	6,000,000	5,300,000	-	(120,000)	5,180,000
Unlimited Tax Refunding Bonds, Series 2011	2.125% to 3.000%	2028	3,559,996	3,059,996	-	(70,000)	2,989,996
Unlimited Tax School Building and Refunding Bonds, Series 2012	1.000% to 3.000%	2032	9,465,000	8,565,000	-	(160,000)	8,405,000
Unlimited Tax School Building and Refunding Bonds, Series 2013	2.000% to 3.500%	2043	20,295,000	18,000,000	-	(585,000)	17,415,000
Unlimited Tax School Building and Refunding Bonds, Series 2014	2.000% to 4.000%	2039	9,750,000	8,445,000	-	(330,000)	8,115,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	3.000% to 5.000%	2040	16,040,000	14,570,000	-	(500,000)	14,070,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	3.000% to 5.000%	2040	40,960,000	36,600,000	-	(1,870,000)	34,730,000
Unlimited Tax School Building and Refunding Bonds, Series 2016A	3.000% to 5.000%	2041	50,310,000	47,950,000	-	(910,000)	47,040,000
Unlimited Tax School Building Bonds, Series 2017	3.000% to 5.000%	2042	96,835,000	94,675,000	-	(2,270,000)	92,405,000
Unlimited Tax School Building and Refunding Bonds, Series 2018	3.000% to 5.000%	2048	98,665,000	98,665,000	-	(945,000)	97,720,000
Unlimited Tax School Building and Refunding Bonds, Series 2019	2.750% to 5.000%	2049	59,255,000	-	59,255,000	-	59,255,000
				\$ 368,979,996	\$ 59,255,000	\$ (21,025,000)	\$ 407,209,996

Sheldon Independent School District

Notes to the Basic Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 14,240,000	\$ 14,892,927	\$ 29,132,927
2021	12,210,000	14,675,752	26,885,752
2022	11,975,000	14,115,677	26,090,677
2023	12,360,000	13,561,746	25,921,746
2024	12,830,000	12,992,618	25,822,618
2025-2029	78,859,996	56,281,745	135,141,741
2030-2034	81,885,000	39,699,466	121,584,466
2035-2039	85,995,000	25,219,081	111,214,081
2040-2044	60,775,000	11,662,606	72,437,606
2045-2049	36,080,000	3,255,425	39,335,425
Totals	<u>\$ 407,209,996</u>	<u>\$ 206,357,043</u>	<u>\$ 613,567,039</u>

At June 30, 2019, the District did not have authorized but unissued bonds.

Qualified Zone Academy Bonds and Qualified School Construction Bonds

The District is scheduled to make annual deposits into trust accounts for the Qualified Zone Academy Bonds (QZAB), Series 2005 and Qualified School Construction Bonds (QSCB), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturities in 2019, and 2027, respectively. The Districts accounts for these trust accounts as restricted cash and investments on both the statement of net position (Exhibit A-1) and in the debt service fund on the governmental funds balance sheet (Exhibit C-1). Funds held in trust for Qualified Zone Academy Bonds (QZAB) and Qualified School Construction Bonds (QSCB) are comprised of the following balances at June 30, 2019:

Series	Restricted Cash and Temporary Investments	Maturity Date	Maturity Amount
Unlimited Tax School Building Bonds, Series 2005	\$ 2,757,095	2019	\$ 3,000,000
Unlimited Qualified School Construction Bonds, Series 2010	4,367,817	2027	8,200,000
Totals	<u>\$ 7,124,912</u>		<u>\$ 11,200,000</u>

Advance Refunding

In March 2019, the District issued \$59,255,000 in Unlimited Tax School Building and Refunding bonds (Series 2019), with interest rates ranging from 2.75 percent to 5.00 percent, to be used for the construction, acquisition, and equipment of school buildings in the District and to advance refund \$11,105,000 of outstanding 2010 series bonds with an average interest rate of 4.011 percent. The net proceeds of approximately \$11.1 million (including a premium on issuance of approximately \$2.1 million and after \$48.6 million deposited to the capital projects fund and payment of approximately \$958,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 series bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

Sheldon Independent School District

Notes to the Basic Financial Statements

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$296,384. This difference, reported in the accompanying government-wide statement of net position as a deferred outflow of resources, is being charged to operations through the year 2049 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 8 years by approximately \$752,000 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately \$660,000.

Refunding of Long-Term Debt

The District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payment on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. The total amount of the defeased bonds outstanding as of June 30, 2019 was \$11,105,000.

Note 7. Revenues from Local and Intermediate Sources

Revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Property taxes	\$ 58,838,722	\$ 15,853,939	\$ -	\$ -	\$ 74,692,661
Investment income	557,254	360,891	2,103,510	29,646	3,051,301
Charges for services	350,237	-	-	807,121	1,157,358
Gifts and bequests	115,493	-	-	-	115,493
Other	102,818	-	-	-	102,818
Totals	\$ 59,964,524	\$ 16,214,830	\$ 2,103,510	\$ 836,767	\$ 79,119,631

Note 8. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Sheldon Independent School District

Notes to the Basic Financial Statements

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for plan fiscal years 2018 and 2019 would remain the same. Rates for such plan fiscal years are as follows:

	Contribution Rates		
	2017	2018	2019
Member	7.7%	7.7%	7.7%
Non-employer contribution entity (state)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%
Employers/District OASDI	1.5%	1.5%	1.5%

The contribution amounts for the District's ten months ended June 30, 2019 are as follows:

District contributions	\$	1,542,451
Member contributions		3,938,500
NECE on-behalf contributions (state)		2,528,476

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

Sheldon Independent School District

Notes to the Basic Financial Statements

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

Sheldon Independent School District

Notes to the Basic Financial Statements

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag**			-0.79%
Totals	100.0%		7.25%

* Target allocations are based on the FY2016 policy model

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Sheldon Independent School District

Notes to the Basic Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907% as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (5.907%) or 1% higher (7.907%) than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 40,278,849	\$ 26,688,171	\$ 15,685,710

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$26,688,171 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 26,688,171
State's proportionate share that is associated with the District	<u>48,041,019</u>
Total	<u><u>\$ 74,729,190</u></u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.04849% which was a decrease of 0.00535% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

Sheldon Independent School District

Notes to the Basic Financial Statements

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the ten months ended June 30, 2019, the District recognized pension expense of \$8,322,244, which includes pension expense and revenue of \$4,754,780 for support provided by the State.

At June 30, 2019, the District reported deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 166,352	\$ 654,822
Changes in actuarial assumptions	9,622,371	300,699
Difference between projected and actual investment earnings	-	506,389
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,492,614	2,549,371
Contributions paid to TRS subsequent to the measurement date	1,542,451	-
Totals	\$ 13,823,788	\$ 4,011,281

\$1,542,451 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2020	\$ 2,490,728
2021	1,425,074
2022	1,113,392
2023	1,206,968
2024	1,163,494
Thereafter	870,400
Total	\$ 8,270,056

Note 9. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Sheldon Independent School District

Notes to the Basic Financial Statements

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in the high deductible health plans. Eligible retirees and dependents enrolled in Medicare may elect to participate in the Medicare Advantage Health plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic cost of living adjustments.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly Plan Premium Rates
Effective January 1, 2018-December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

Change of Benefit Terms since the Prior Measurement Date

The 85th Legislature, Regular Session, passed several statutory changes effective September 1, 2017 that affected TRS plans. These changes include:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retirees reach 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards their health insurance premiums.

Sheldon Independent School District

Notes to the Basic Financial Statements

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018	2017
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.25%	1.00%

The contribution amounts for the ten months ended June 30, 2019 are as follows:

District contributions	\$ 445,288
Member contributions	332,471
NECE on-behalf contributions (state)	596,853

In addition, the State of Texas contributed \$183,575, \$176,410, and \$167,670 in 2019, 2018 and 2017, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for the period. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

Sheldon Independent School District

Notes to the Basic Financial Statements

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.00%
Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Sheldon Independent School District

Notes to the Basic Financial Statements

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate

The following table presents the District’s proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
_____	_____	_____
\$ 41,094,598	\$ 34,523,308	\$ 29,324,994

Healthcare Cost Trend Rates

The following table presents the District’s proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
_____	_____	_____
\$ 28,672,169	\$ 34,523,308	\$ 42,229,384

Sheldon Independent School District

Notes to the Basic Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$34,523,308 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 34,523,308
State's proportionate share of the net OPEB liability associated with the District	<u>49,079,488</u>
Total	<u>\$ 83,602,796</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0691421% which was an increase of 0.0010676% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the ten months ended June 30, 2019, the District recognized OPEB expense of \$2,708,853, which includes OPE expense and revenue of \$1,785,217 for support provided by the State.

Sheldon Independent School District

Notes to the Basic Financial Statements

At June 30, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,832,024	\$ 544,828
Changes of assumptions	576,100	10,372,273
Net difference between projected and actual earnings on OPEB investments	6,038	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	584,576	-
District contributions paid after measurement date	445,288	-
Totals	\$ 3,444,026	\$ 10,917,101

\$445,288 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2020	\$ (1,286,033)
2021	(1,286,033)
2022	(1,286,033)
2023	(1,287,175)
2024	(1,287,828)
Thereafter	(1,485,261)
Total	\$ (7,918,363)

Note 10. Litigation and Other Contingencies

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Sheldon Independent School District

Notes to the Basic Financial Statements

Note 11. Tax Abatements

The District entered into property tax abatement agreements with local businesses under Texas Tax Code, Title 3, Subtitle B, Chapter 313, Texas Economic Development Act (the Act) beginning August 20, 2013 through April 15, 2014. Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. The District is a Category II district, which limits the minimum amount per qualified investment to \$80 million. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatement, which is approved by the Texas Comptroller's office and the District's board of trustees, is granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

The agreement was for each local business to invest a minimum capital investment totaling \$80,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investment would be limited to taxable value of the lesser of qualified appraised value or \$80,000,000. The District's tax abatements expire in increments through December 31, 2027.

For the ten months ended June 30, 2019, the District foregoes collecting property taxes totaling \$4,010,391 resulting from the M&O tax rate of \$1.17 per \$100 of taxable value. The qualified properties per the agreements had a taxable value of \$502,768,500 and was limited to a taxable value of \$160,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local business receiving such property tax abatement has committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District with a supplemental payment amount of 40% of the net tax benefit not to exceed the aggregate limit in the agreements.

Note 12. Subsequent Events

On September 24, 2019, District approved the sale of approximately \$14.1 million in Unlimited Tax Refunding Bonds, Series 2019A. The bonds were unissued as of the date of this report.

Required Supplementary Information

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Sheldon Independent School District
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
General Fund
For the Ten Months Ended June 30, 2019

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 61,633,250	\$ 61,633,250	\$ 59,964,524	\$ (1,668,726)
5800	State program revenues	17,467,963	17,467,963	18,468,190	1,000,227
5900	Federal program revenues	2,265,500	1,705,001	2,792,746	1,087,745
5020	Total revenues	81,366,713	80,806,214	81,225,460	419,246
EXPENDITURES					
Current:					
0011	Instruction	50,054,607	47,633,077	44,994,915	2,638,162
0012	Instructional resources and media services	837,145	807,986	709,737	98,249
0013	Curriculum and instructional staff development	228,631	286,968	156,885	130,083
0021	Instructional leadership	2,104,228	2,526,017	1,990,841	535,176
0023	School leadership	4,245,546	4,479,806	4,144,919	334,887
0031	Guidance, counseling, and evaluation services	2,392,774	2,452,783	1,881,660	571,123
0032	Social work services	40,349	40,349	33,254	7,095
0033	Health services	634,885	640,392	571,878	68,514
0034	Student transportation	3,951,618	4,698,411	4,282,290	416,121
0036	Cocurricular/extracurricular activities	1,784,138	2,273,163	1,891,150	382,013
0041	General administration	2,413,253	2,521,681	2,181,509	340,172
0051	Plant maintenance and operations	7,454,564	13,656,785	10,694,343	2,962,442
0052	Security and monitoring services	869,923	1,254,900	1,082,484	172,416
0053	Data processing services	980,943	1,103,570	893,508	210,062
0061	Community services	21,142	25,012	7,954	17,058
Debt service:					
0071	Principal on long-term debt	655,000	685,000	685,000	-
0072	Interest on long-term debt	102,197	58,000	44,344	13,656
Capital outlay:					
0081	Facilities acquisition and construction	271,250	775,754	625,757	149,997
Intergovernmental:					
0091	Contracted instructional services between schools	1,300,000	1,300,000	1,446,005	(146,005)
0095	Payments to juvenile justice alternative education programs	15,000	-	-	-
0099	Other intergovernmental charges	472,000	472,000	440,102	31,898
6030	Total expenditures	80,829,193	87,691,654	78,758,535	8,933,119
1100	Excess (deficiency) of revenues over (under) expenditures	537,520	(6,885,440)	2,466,925	9,352,365
OTHER FINANCING SOURCES (USES)					
7911	Issuance of bonds	3,246,897	-	-	-
7912	Sale of real and personal property	-	25,000	10,414	(14,586)
7914	Loan proceeds	-	-	-	-
7915	Transfers in	-	85,113	-	(85,113)
7949	Other resources	-	938,900	945,872	6,972
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	3,246,897	1,049,013	956,286	(92,727)
7919	Extraordinary item	-	-	-	-
7989	Other non-operating revenues	-	74,347	183,107	108,760
8912	Special items	-	-	-	-
1200	Net change in fund balance	3,784,417	(5,762,080)	3,606,318	9,368,398
0100	Fund balance - beginning	23,297,331	23,297,331	23,297,331	-
3000	FUND BALANCE - ENDING	\$ 27,081,748	\$ 17,535,251	\$ 26,903,649	\$ 9,368,398

The Notes to the Required Supplementary Information are an integral part of this schedule.

Sheldon Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Five Fiscal Years*

	<u>2019</u>
District's proportion of the net pension liability	0.04849%
District's proportionate share of the net pension liability	\$ 26,688,171
State's proportionate share of the net pension liability associated with the District	<u>48,041,019</u>
TOTALS	<u>\$ 74,729,190</u>
District's covered payroll	\$ 57,390,948
District's proportionate share of the net pension liability as a percentage of its covered payroll	46.50%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31, of the prior year. Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.05384%	0.05768%	0.05930%	0.03889%
\$ 17,215,912	\$ 21,795,467	\$ 20,961,902	\$ 10,381,059
<u>26,638,986</u>	<u>32,398,523</u>	<u>30,914,126</u>	<u>25,647,821</u>
<u>\$ 43,854,898</u>	<u>\$ 54,193,990</u>	<u>\$ 51,876,028</u>	<u>\$ 36,028,880</u>
\$ 56,381,175	\$ 56,838,001	\$ 54,422,769	\$ 49,819,013
30.53%	38.35%	38.52%	20.84%
82.17%	78.00%	78.43%	83.25%

Sheldon Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas Pension Plan
 For the Last Five Fiscal Years*

	<u>2019</u>
TRS	
Contractually required contributions	\$ 1,542,451
Contributions in relation to the contractually required contributions	<u>(1,542,451)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>
District's covered payroll	\$ 51,149,351
Contribution as a percentage of covered payroll	3.02%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30.
 for fiscal year 2019 and August 31 for years prior to June 30, 2019
 Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,777,997	\$ 1,764,641	\$ 1,832,559	\$ 1,755,911
<u>(1,777,997)</u>	<u>(1,764,641)</u>	<u>(1,832,559)</u>	<u>(1,755,911)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 57,390,948	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769
3.10%	3.13%	3.22%	3.23%

Sheldon Independent School District

Exhibit G-4

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.06914%	0.00681%
District's proportionate share of the net OPEB liability	\$ 34,523,308	\$ 29,603,039
State's proportionate share of the net pension liability associated with the District	<u>49,079,488</u>	<u>43,880,484</u>
TOTAL	<u>\$ 83,602,796</u>	<u>\$ 73,483,523</u>
District's covered payroll	\$ 57,390,948	\$ 56,381,175
District's proportionate share of the net pension liability as a percentage of its covered payroll	60.15%	52.51%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31, of the prior year. Ten years of data is not available.

Sheldon Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 Last Two Fiscal Years*

Exhibit G-5

	<u>2019</u>	<u>2018</u>
TRS		
Contractually required contributions	\$ 445,288	\$ 463,378
Contributions in relation to the contractually required contributions	<u>(445,288)</u>	<u>(463,378)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 51,149,351	\$ 57,390,948
Contribution as a percentage of covered payroll	0.87%	0.81%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30.
 for the fiscal year 2019 and August 31 for years prior to June 30, 2019
 Ten years of data is not available.

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Sheldon Independent School District

Notes to the Required Supplementary Information

Note 1. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2019. Expenditures in function 91 exceeded budgeted amounts by approximately \$146,000. This was due to greater wealth equalization payments made to the State as required by Chapter 41 of the Texas Education Code than originally budgeted for.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 28, 2018. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

In the governmental funds, significant encumbrances included \$25,649,593 in restricted fund balance for the Capital Projects Fund.

The most significant variance between the final budget and actual results are related to federal program revenues, plant maintenance and operations expenditures and instruction expenditures.

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Supplementary Information

Sheldon Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds
 June 30, 2019

<u>Data Control Codes</u>		211	214
		ESSA, Title I, Part A - Improving Basic Programs	ESSA, Title I, Part A - School Improvement Grant
ASSETS			
1110	Cash and cash equivalents	\$ 3,584	\$ 4,780
1120	Current investments	-	-
1240	Due from other governments	364,262	-
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 367,846</u>	<u>\$ 4,780</u>
LIABILITIES			
2110	Accounts payable	\$ 119,034	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	248,812	4,780
2300	Unearned revenue	-	-
2000	Total liabilities	367,846	4,780
FUND BALANCES			
Restricted for:			
3450	Grants	-	-
3545	Other	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 367,846</u>	<u>\$ 4,780</u>

224	225	240	244	254	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting
\$ 1,115	\$ 9,942	\$ 1,588,398	\$ 3,672	\$ 36	\$ 1,197
-	-	641,147	-	-	-
188,470	-	72,444	19,003	5,390	60,759
-	-	449,877	-	-	-
-	-	30,728	-	-	-
<u>\$ 189,585</u>	<u>\$ 9,942</u>	<u>\$ 2,782,594</u>	<u>\$ 22,675</u>	<u>\$ 5,426</u>	<u>\$ 61,956</u>
\$ 8,404	\$ -	\$ 59,726	\$ -	\$ -	\$ 14,170
-	-	203,070	-	-	-
181,181	9,942	-	22,675	5,426	47,786
-	-	24,615	-	-	-
189,585	9,942	287,411	22,675	5,426	61,956
-	-	2,495,183	-	-	-
-	-	-	-	-	-
-	-	2,495,183	-	-	-
<u>\$ 189,585</u>	<u>\$ 9,942</u>	<u>\$ 2,782,594</u>	<u>\$ 22,675</u>	<u>\$ 5,426</u>	<u>\$ 61,956</u>

Sheldon Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds - Continued
 June 30, 2019

<u>Data Control Codes</u>		263	265
		Title III, Part A, English Language Acquisition & Enhancement	21st Century Grant
ASSETS			
1110	Cash and cash equivalents	\$ 1,155	\$ 143,938
1120	Current investments	-	-
1240	Due from other governments	36,225	92,891
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 37,380</u>	<u>\$ 236,829</u>
LIABILITIES			
2110	Accounts payable	\$ 12,749	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	24,631	236,829
2300	Unearned revenue	-	-
2000	Total liabilities	37,380	236,829
FUND BALANCES			
Restricted for:			
3450	Grants	-	-
3545	Other	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,380</u>	<u>\$ 236,829</u>

274	283	286	287	289	397
GEAR UP	Texas Homeless Youth	Project SERV Hurricane Recovery Grant	ESSA, Title IV, Part A, SSAE	Federally Funded Special Revenue Funds	Advanced Placement Incentives
\$ 5,014	\$ 9,540	\$ 7,124	\$ 546	\$ -	\$ 4,600
-	-	-	-	-	-
198,013	3,210	1,241	14,657	195,625	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 203,027</u>	<u>\$ 12,750</u>	<u>\$ 8,365</u>	<u>\$ 15,203</u>	<u>\$ 195,625</u>	<u>\$ 4,600</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
203,027	12,750	8,365	15,203	195,625	3,975
-	-	-	-	-	625
203,027	12,750	8,365	15,203	195,625	4,600
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 203,027</u>	<u>\$ 12,750</u>	<u>\$ 8,365</u>	<u>\$ 15,203</u>	<u>\$ 195,625</u>	<u>\$ 4,600</u>

Sheldon Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds - Continued
 June 30, 2019

		410	427
<u>Data Control Codes</u>		<u>State Textbook Fund</u>	<u>Pre-K Grant</u>
	ASSETS		
1110	Cash and cash equivalents	\$ 6,287	\$ 18
1120	Current investments	-	-
1240	Due from other governments	482,115	-
1260	Due from other funds	-	-
1300	Inventories	-	-
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 488,402</u>	<u>\$ 18</u>
	LIABILITIES		
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	488,402	18
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	488,402	18
	FUND BALANCES		
	Restricted for:		
3450	Grants	-	-
3545	Other	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 488,402</u>	<u>\$ 18</u>

428

429

461

Pre-K Grant 2	State Funded Special Revenue Funds	Campus Activity Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ 881	\$ 3,172	\$ 77,386	\$ 1,872,385
-	-	-	641,147
-	32,615	-	1,766,920
-	-	-	449,877
-	-	-	30,728
<u>\$ 881</u>	<u>\$ 35,787</u>	<u>\$ 77,386</u>	<u>\$ 4,761,057</u>
\$ -	\$ -	\$ -	\$ 214,083
-	-	-	203,070
881	35,787	356	1,746,451
-	-	-	25,240
881	35,787	356	2,188,844
-	-	-	2,495,183
-	-	77,030	77,030
-	-	77,030	2,572,213
<u>\$ 881</u>	<u>\$ 35,787</u>	<u>\$ 77,386</u>	<u>\$ 4,761,057</u>

Sheldon Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Ten Months Ended June 30, 2019

<u>Data Control Codes</u>		211	214
		<u>ESSA, Title I, Part A - Improving Basic Programs</u>	<u>ESSA, Title I, Part A - School Improvement Grant</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	1,580,722	2,353
		<hr/>	<hr/>
5020	Total revenues	1,580,722	2,353
EXPENDITURES			
Current:			
0011	Instruction	1,518,671	2,353
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0053	Data processing services	-	-
0061	Community services	62,051	-
		<hr/>	<hr/>
6030	Total Expenditures	1,580,722	2,353
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244	254	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting
\$ -	\$ -	\$ 596,786	\$ -	\$ -	\$ -
-	-	132,903	-	-	-
1,312,080	16,239	5,437,973	97,264	5,390	240,100
1,312,080	16,239	6,167,662	97,264	5,390	240,100
1,242,270	16,239	-	97,264	5,390	186,128
-	-	-	-	-	-
-	-	-	-	-	1,365
-	-	-	-	-	52,607
69,810	-	-	-	-	-
-	-	5,387,030	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,312,080	16,239	5,387,030	97,264	5,390	240,100
-	-	780,632	-	-	-
-	-	1,714,551	-	-	-
\$ -	\$ -	\$ 2,495,183	\$ -	\$ -	\$ -

Sheldon Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the Ten Months Ended June 30, 2019

<u>Data Control Codes</u>		263	265
		<u>Math and Science Partnerships</u>	<u>21st Century Grant</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	151,025	444,603
		<hr/>	<hr/>
5020	Total revenues	151,025	444,603
EXPENDITURES			
Current:			
0011	Instruction	145,374	444,603
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	1,334	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0053	Data processing services	-	-
0061	Community services	4,317	-
		<hr/>	<hr/>
6030	Total expenditures	151,025	444,603
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

274	283	286	287	289	397
<u>GEAR UP</u>	<u>Texas Homeless Youth</u>	<u>Project SERV Hurricane Recovery Grant</u>	<u>ESSA, Title IV, Part A, SSAE</u>	<u>Federally Funded Special Revenue Funds</u>	<u>Advanced Placement Incentives</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	3,000
230,822	12,750	3,969	93,515	364,834	-
<u>230,822</u>	<u>12,750</u>	<u>3,969</u>	<u>93,515</u>	<u>364,834</u>	<u>3,000</u>
230,822	12,750	3,969	93,515	364,834	3,000
230,822	12,750	3,969	44,969	308,780	3,000
-	-	-	-	-	-
-	-	-	48,546	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	56,054	-
-	-	-	-	-	-
<u>230,822</u>	<u>12,750</u>	<u>3,969</u>	<u>93,515</u>	<u>364,834</u>	<u>3,000</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Sheldon Independent School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the Ten Months Ended June 30, 2019

		410	427
<u>Data Control Codes</u>		<u>State Textbook Fund</u>	<u>Pre-K Grant</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	689,244	-
5900	Federal program revenues	-	-
		<hr/>	<hr/>
5020	Total revenues	689,244	-
EXPENDITURES			
Current:			
0011	Instruction	688,152	-
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	1,092	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
		<hr/>	<hr/>
6030	Total expenditures	689,244	-
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

428	429	461	
<u>Pre-K Grant 2</u>	<u>State Funded Special Revenue Funds</u>	<u>Campus Activity Fund</u>	<u>Total Nonmajor Funds (See Exhibit C-2)</u>
\$ -	\$ -	\$ 239,981	\$ 836,767
-	59,439	-	884,586
-	-	-	9,993,639
-	59,439	239,981	11,714,992
-	59,439	267,431	5,277,604
-	-	26,136	26,136
-	-	-	1,365
-	-	-	103,579
-	-	-	69,810
-	-	-	5,387,030
-	-	-	56,054
-	-	-	66,368
-	59,439	293,567	10,987,946
-	-	(53,586)	727,046
-	-	130,616	1,845,167
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,030</u>	<u>\$ 2,572,213</u>

Sheldon Independent School District
 Schedule of Delinquent Taxes Receivable
 For the Ten Months Ended June 30, 2019

Year Ended June 30,	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2010 and prior	\$ Various	\$ Various	\$ Various
2011	1.0900	0.3400	3,243,212,098
2012	1.0900	0.3400	3,505,474,406
2013	1.0900	0.3400	3,638,719,292
2014	1.1700	0.2600	4,861,681,259
2015	1.1700	0.2600	4,931,143,966
2016	1.1700	0.2400	5,438,701,915
2017	1.1700	0.2400	5,318,091,348
2018	1.1700	0.3000	5,411,504,422
2019 (School year under audit)	1.1700	0.3000	5,463,206,327

1000 TOTALS

9000 - Portion of row 1000 for taxes paid into Tax Increment Zone Under Chapter 311, Tax Code

Exhibit J-1
(Page 1 of 2)

<u>Balance 9/1/2018</u>	<u>Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Year's Adjustments</u>	<u>Balance 6/30/2019</u>
\$ 300,766	\$ -	\$ 11,730	\$ 2,620	\$ -	\$ 286,416
140,895	-	1,019	382	(311)	139,183
126,902	-	3,148	982	(7,553)	115,219
86,261	-	4,550	1,419	(13,540)	66,752
98,741	-	10,374	2,305	15,093	101,155
268,395	-	22,319	4,960	29,803	270,919
324,252	-	36,102	7,406	32,456	313,200
786,989	-	218,544	44,830	(235,980)	287,635
1,450,343	-	1,036,594	265,793	416,454	564,410
-	80,309,133	58,450,879	16,128,548	(4,644,854)	1,084,852
<u>\$ 3,583,544</u>	<u>\$ 80,309,133</u>	<u>\$ 59,795,259</u>	<u>\$ 16,459,245</u>	<u>\$ (4,408,432)</u>	3,229,741
					1,496,943
					<u>\$ 4,726,684</u>

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

Sheldon Independent School District
 Schedule of Delinquent Taxes Receivable
 For the Twelve Months Ended August 31, 2019

Year Ended August 31,	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2010 and prior	\$ Various	\$ Various	\$ Various
2011	1.0900	0.3400	3,243,212,098
2012	1.0900	0.3400	3,505,474,406
2013	1.0900	0.3400	3,638,719,292
2014	1.1700	0.2600	4,861,681,259
2015	1.1700	0.2600	4,931,143,966
2016	1.1700	0.2400	5,438,701,915
2017	1.1700	0.2400	5,318,091,348
2018	1.1700	0.3000	5,411,504,422
2019* (School year under audit)	1.1700	0.3000	5,463,206,327

1000 TOTALS

9000 - Portion of row 1000 for taxes paid into Tax Increment Zone Under Chapter 311, Tax Code

*Fiscal years 2018 and prior year ended August 31; however, for 2019, the fiscal period consisted of the ten month period of September 1, 2018 through June 30, 2019. The Schedule of Delinquent Taxes Receivable is reported for both of the ten months ended June 30, 2019 and the twelve months ended August 31, 2019 to comply with the TEA requirements.

Exhibit J-1
(Page 2 of 2)

<u>Beginning Balance 9/1/2018</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/2019</u>
\$ 300,766	\$ -	\$ 11,811	\$ 2,640	\$ -	\$ 286,315
140,895	-	1,235	463	(311)	138,886
126,902	-	3,304	1,031	(7,552)	115,015
86,261	-	4,654	1,451	(12,469)	67,687
98,741	-	13,096	2,910	16,107	98,842
268,395	-	32,262	7,170	30,842	259,805
324,252	-	42,904	8,801	34,394	306,941
786,989	-	225,215	46,198	(234,169)	281,407
1,450,343	-	504,876	129,455	(324,498)	491,514
-	80,309,133	58,058,334	16,027,895	(5,546,917)	675,987
<u>\$ 3,583,544</u>	<u>\$ 80,309,133</u>	<u>\$ 58,897,691</u>	<u>\$ 16,228,014</u>	<u>\$ (6,044,573)</u>	2,722,399
					1,408,857
				Total taxes receivable	<u>\$ 4,131,256</u>

Sheldon Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances – Budget and Actual
 National School Breakfast and Lunch Program
 For the Ten Months Ended June 30, 2019

Exhibit J-2

<u>Data Control Codes</u>		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>		
	REVENUES				
5700	Local and intermediate sources	\$ 302,182	\$ 797,311	\$ 596,786	\$ (200,525)
5800	State program revenues	153,436	153,436	132,903	(20,533)
5900	Federal program revenues	6,317,235	5,228,394	5,437,973	209,579
5020	Total revenues	6,772,853	6,179,141	6,167,662	(11,479)
	EXPENDITURES				
	Current:				
0035	Food services	6,371,610	6,680,880	5,387,030	1,293,850
6030	Total expenditures	6,371,610	6,680,880	5,387,030	1,293,850
1100	Excess (deficiency) of revenues over (under) expenditures	401,243	(501,739)	780,632	1,282,371
0100	Fund balance - beginning	1,714,551	1,714,551	1,714,551	-
3000	FUND BALANCE - ENDING	<u>\$ 2,115,794</u>	<u>\$ 1,212,812</u>	<u>\$ 2,495,183</u>	<u>\$ 1,282,371</u>

Sheldon Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances – Budget and Actual
 Debt Service Fund
 For the Ten Months Ended June 30, 2019

Exhibit J-3

<u>Data Control Codes</u>		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>		
	REVENUES				
5700	Local and intermediate sources	\$ 16,869,198	\$ 17,574,198	\$ 16,214,830	\$ (1,359,368)
5800	State program revenues	-	126,500	126,493	(7)
5020	Total revenues	16,869,198	17,700,698	16,341,323	(1,359,375)
	EXPENDITURES				
	Debt service:				
0071	Principal on long-term debt	6,581,372	9,985,372	9,235,000	750,372
0072	Interest on long-term debt	6,962,311	6,962,311	6,962,309	2
0073	Issuance costs and fees	325,515	325,515	312,198	13,317
6030	Total expenditures	13,869,198	17,273,198	16,509,507	763,691
1100	Excess (deficiency) of revenues over (under) expenditures	3,000,000	427,500	(168,184)	(595,684)
	OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	12,121,950	10,655,000	(1,466,950)
7916	Premium or discount on issuance of bonds	-	-	1,466,943	1,466,943
8940	Payment to refunded bonds escrow agent	-	(11,172,000)	(11,171,316)	684
7080	Total other financing sources (uses)	-	949,950	950,627	677
1200	Net change in fund balance	3,000,000	1,377,450	782,443	(595,007)
0100	Fund balance - beginning	17,509,177	17,509,177	17,509,177	-
3000	FUND BALANCE - ENDING	<u>\$ 20,509,177</u>	<u>\$ 18,886,627</u>	<u>\$ 18,291,620</u>	<u>\$ (595,007)</u>

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Sheldon Independent School District
Houston, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District) as of and for the ten months ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019, which contained unmodified opinions on the financial statements and an emphasis of matter paragraph related to the change in the fiscal year end of the District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness: 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees of
Sheldon Independent School District

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 19, 2019

**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

To the Board of Trustees of
Sheldon Independent School District
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Sheldon Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the ten months ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 19, 2019

Sheldon Independent School District
 Schedule of Findings and Questioned Costs
 For the Ten Months Ended June 30, 2019

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified? Yes No
- Are any significant deficiencies identified? Yes None Reported
- Is any noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Are any material weaknesses identified? Yes No
- Are any significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major federal programs:

- 10.553, 10.555 and 10.559 Child Nutrition Cluster
- 97.036 Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

- Auditee qualified as a low-risk auditee? Yes No

Section 2. Financial Statement Findings

2019-001: Lack of Account Reconciliations in Grant Funds

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information, for recording entries in the proper period, and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

Condition:

During the audit it was determined that revenues for certain grants were recognized in the incorrect period. Grant revenue was overstated by \$274,051 due to grant revenue recognized before it was available and grant revenue recognized though no related grant expenditures had been incurred. Grant revenue was understated by \$118,798 for revenue that was not recognized in the current period though related grant expenditures had been incurred.

Cause:

During the ten months ended June 30, 2019, reconciliations were not maintained for certain grant funds and the District improperly recognized revenue for grant expenditures that had not occurred or for funds that were not available and also failed to recognize grant revenue when the related expenditures had been incurred.

Effect or Potential Effect:

Material misstatement of the District's financial statements was not prevented or detected and corrected by the District's system of internal control.

Recommendation:

We recommend the District maintain reconciliations of grant funds indicating whether funds received meet the criteria for revenue recognition or if the revenue should be deferred until when such criteria is met to recognize grant revenue in the correct period.

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

Section 3. Federal Award Findings and Questioned Costs

None

Section 4. Schedule of Prior Audit Findings and Questioned Costs

2018-001: Improper Recording of Cash and Cash Equivalents and Accounts Payable
Type of Finding: Material Weakness in Internal Control over Financial Reporting

Current Status:

The District remedied the deficiency as of and for the ten months ended June 30, 2019.

2018-002: Emergency Impact Aid (84.938)
Type of Finding: Significant Deficiency in Internal Control over Compliance
Federal Agency: U.S. Department of Education
Pass-Through Entity: State Department of Education
Compliance Requirement: Allowable Costs/Cost Principles

Current Status:

The District remedied the deficiency as of and for the ten months ended June 30, 2019.

SHELDON INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan

2019-001: Lack of Account Reconciliations in Grant Funds

Planned Corrective Action

Revisit process for verifying grant award periods to make sure that the funds received are recognized in the correct period where corresponding expenditures are recorded.

Board of Trustees

Latricia Archie, President
Eileen Palmer, Vice President
Angela Cormier, Secretary
Ken Coleman, Member
Erika Martinez, Member
Devora Myles, Member
Fred Rivas, Member

King Davis
Superintendent of Schools

11411 C. E. King Parkway
Houston, Texas 77044-2009
281-727-2000 • Fax: 281-727-2085

Anticipated Completion Date

The District plans to implement the corrective action plan on 11/26/2019.

Contact person

Name: Abraham George
Title: CFO

Sheldon Independent School District
Schedule of Expenditures of Federal Awards
For the Ten Months Ended June 30, 2019

Exhibit K-1

Fund/ Revenue Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
211-5929	ESEA Title I, Part A - Improving Basic Programs	84.010A	19610101101924	\$ 1,610,060
214-5929	TTL I 1003 School Improvement	84.010A	18610123101924	2,353
	Total program 84.010			1,612,413
Special Education Cluster (IDEA):				
224-5929	IDEA - Part B, Formula	84.027A	196600011019246600	1,332,509
225-5929	IDEA - Part B, Preschool	84.173A	196610011019246610	16,239
	Total Special Education Cluster (IDEA)			1,348,748
Career and Technology - Carl D. Perkins Basic Grant				
244-5929	Perkins Career Cluster	84.048A	19420006101924	97,264
254-5929		84.048A	184200557110037	5,390
	Total program 84.048			102,654
274-5929	Texas Gear Up Grant	84.334S	185111017110005	230,822
263-5929	Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	19671001101924	153,725
255-5929	ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	19694501101924	244,556
199-5929	Summer School LEP	84.369A	69551802	11,265
287-5929	Title IV, Part A, Subpart 1	84.424A	19680101101924	93,515
283-5929	Texas Hurricane Homeless Youth	84.938B	19513701101924	12,750
286-5929	Project Serv Hurricane Recovery Grant	84.938G	18510701101924	3,969
289-5929	Emergency Impact Aid	84.938C	51271901	325,729
	Total program 84.938			342,448
Passed Through Harris County Department of Education:				
265-5929	Title IV, Part B 21st Century Community Learning Centers	84.287C	5287C170044	444,603
	Total U.S. Department of Education			4,584,749
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster:				
Passed Through State Department of Agriculture - Non-Cash Assistance:				
240-5923	National School Lunch Program	10.555	00531	368,404
Passed Through State Department of Education - Cash Assistance:				
240-5921	National School Breakfast Program	10.553	71401901	1,550,363
240-5922	National School Lunch Program	10.555	71301901	3,160,674
Passed Through State Department of Agriculture - Cash Assistance:				
240-5921/5922	Summer Food Service Program	10.559	00531	72,444
	Total Child Nutrition Cluster			5,151,885
Passed Through State Department of Agriculture - Cash Assistance:				
240-5939	Child and Adult Care Food Program	10.558	00531	286,089
	Total U.S. Department of Agriculture			5,437,974
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
477 Cluster:				
Passed Through Gulf Coast Workforce Solutions Board				
289-5929	Child Care and Development Funds - TWC Partnership	93.596	2818CCMC24	45,000
	Total U.S. Department of Health and Human Services			45,000
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through State of Texas Comptroller				
199-5939	FEMA - Disaster Grants	97.036	4332-2801	775,204
	Total U.S. Department of Homeland Security			775,204
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 10,842,927

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Sheldon Independent School District
 Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the ten months ended June 30, 2019. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 2. Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 3. Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and Federal revenues reported on Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	\$ 10,842,927
SHARS	1,726,863
Federal interest subsidy	<u>216,595</u>
Total federal revenues per Exhibit C-2	<u><u>\$ 12,786,385</u></u>

Note 4. Disaster grants – Public Assistance (97.036)

The accompanying schedule of expenditures of federal awards include \$775,204 of grant expenditures approved by FEMA in the current period that were incurred in a prior fiscal year.

Sheldon Independent School District
 Schedule of Required Responses to
 Selected School FIRST Indicators (Unaudited)
 For the Ten Months Ended June 30, 2019

Exhibit L-1

<u>Data Control Codes</u>	<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end? \$ 83,242
SF11	Net pension assets (1920) at fiscal year-end. \$ -
SF12	Net pension liabilities (2540) at fiscal year-end. \$ 26,688,171